

Social Security in Review

2000 Annual Trustees Reports

On March 30, 2000, the Social Security Board of Trustees released its annual report revealing that the Social Security program's long-range financial picture has improved since last year. According to the Trustees' projections, the Old-Age and Survivors Insurance (OASI) Trust Fund, which pays retirement and survivors benefits, will be able to pay full benefits on time until 2039. The Disability Insurance (DI) Trust Fund, which pays disability benefits, is projected to be able to pay full benefits until 2023.

In addition to the OASDI Trust Fund projections presented in the report, the Trustees also forecast the financial status of the Medicare trust funds. The federal Hospital Insurance (HI) Trust Fund, which pays inpatient hospital expenses, will be able to pay full benefits until 2025—10 years longer than was projected in last year's report.

The Supplementary Medical Insurance (SMI) Trust Fund, which pays doctor's bills and other outpatient expenses, is expected to remain adequately financed into the indefinite future because current law sets financing each year to meet the next year's expected cost.

For more detailed information on the trust funds, see "Summary of the 2000 Annual Social Security and Medicare Trust Fund Reports," on page 53 of this issue.

SSA's Report to Congress

On April 17, 2000, SSA released its "Report on Supplemental Security Income and Resource Exclusions and Disability Insurance Earnings-Related Provisions" to Congress. As required by the Ticket to Work and Work Incentives Improvement Act of 1999, the report identifies and describes all statutory and regulatory income and resource disregards (exclusions) under the Supplemental Security Income (SSI) and Disability Insurance (DI) programs. It analyzes certain SSI exclusions and outlines a range of options for future policy decisions. The report also examines and presents options for selected earnings-related provisions in the DI program. A copy of the report is available at: www.ssa.gov/policy/pubs/policypapers/ssi_excl_prov_exec.html.

Elimination of the Retirement Earnings Test

On April 7, 2000, President Clinton signed into law the Senior Citizens' Freedom to Work Act of 2000, which eliminates the

retirement earnings test for beneficiaries reaching the full retirement age (currently age 65).

Legislation under the new law:

- Eliminates the Social Security retirement earnings test in and after the month in which a person attains full retirement age—currently age 65. Elimination of the retirement test would be retroactive to January 1, 2000.
- Applies permanently, in the calendar year the beneficiary attains the full retirement age (age 65-69), the earnings limit (\$17,000 in 2000, \$25,000 in 2001, and \$30,000 in 2002) and the corresponding reduction rate (\$1 for \$3 offset) to all months prior to attainment of the full retirement age. (In applying the earnings test for this calendar year, only earnings before the month of attainment of full retirement age are considered.)
- Permits the retired worker, beginning with the month in which the beneficiary reaches full retirement age and ending with the month prior to attainment of age 70, to earn a delayed retirement credit for any month for which the retired worker requests that benefits not be paid even though he or she is already on the benefit rolls.

The 2000 Federal Poverty Guidelines

The Department of Health and Human Services published the "Annual Update of the HHS Poverty Guidelines" in the *Federal Register*¹ of February 15, 2000. As required by law, the 2000 update reflects last year's change in the consumer price index for all urban consumers (CPI-U). The federal poverty guidelines are issued by HHS and are used for administrative purposes (for example, to determine whether a person or family is financially eligible for assistance or services under certain federal programs). The guidelines are a simplified version of the federal government's statistical poverty thresholds that the Bureau of the Census uses to prepare its estimates of the number of persons and families in poverty. Both guidelines and thresholds consist of a series of income levels, with different values for families of different sizes, below which the families are classified as poor for administrative purposes.

Table 1 shows the 2000 poverty guidelines for various family unit sizes. For an unrelated individual living in any of the 48

contiguous states or in the District of Columbia, the amount is \$8,350 (an increase of \$110 from the previous year). In Alaska and Hawaii, the 2000 guidelines for one person are \$10,430 (up \$110) and \$9,590 (up \$100), respectively. Each additional person increases the poverty guidelines by \$2,900 in the contiguous states and the District of Columbia, by \$3,630 in Alaska, and by \$3,340 in Hawaii. A year earlier, these amounts were \$2,820, \$3,520, and \$3,240, respectively.

The statistical poverty thresholds of the Bureau of the Census for a given calendar year are generally not issued in final until late summer of the following calendar year. Issuing the poverty guidelines during the first few months of the year avoids the need to use 2-year-old poverty thresholds in the first half of the year, when, for example, financial eligibility for assistance or services under certain federal programs is determined. These guidelines may not become effective for certain programs until a regulation or notice specifically applicable to the program has been issued.

The poverty guidelines are used for both farm and nonfarm family units and for both aged and nonaged distinctions. (Only the statistical poverty thresholds of the Census Bureau have separate figures for aged and nonaged one-person and two-person units.)

Table 1.—Poverty guidelines for 2000 (annual income)

Size of family unit	Contiguous (48) states and the District of Columbia	Alaska	Hawaii
1.....	\$8,350	\$10,430	\$9,590
2.....	11,250	14,060	12,930
3.....	14,150	17,690	16,270
4.....	17,050	21,320	19,610
5.....	19,950	24,950	22,950
6.....	22,850	28,580	26,290
7.....	25,750	32,210	29,630
8.....	28,650	35,840	32,970

¹For family units with more than eight members, add the following amount for each additional family member: \$2,900 for the contiguous states and the District of Columbia; \$3,630 for Alaska; and \$3,340 for Hawaii. (In each case, the same increment applies to smaller family sizes also, as can be seen in the figures above.)

Note

¹*Federal Register*, February 15, 2000, pp. 7555-7557. For a more detailed description of the poverty guidelines and definitions, see Gordon M. Fisher, "Poverty Guidelines for 1992," *Social Security Bulletin*, Vol. 55, No. 1 (1992), pp. 43-46.